

THE HONORABLE RICARDO S. MARTINEZ
Motion Calendar Date: Friday, March 18, 2005
Oral Argument Requested

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

DON EASTER AND SHIRLEY EASTER,
and the marital community composed
thereof; and DEBRA OGUNLEYE, on their
own behalf and on behalf of all others
similarly situated,

Plaintiffs,

vs.

AMERICAN WEST FINANCIAL, a Nevada
corporation, et al.,

Defendants.

CLASS ACTION

CONSOLIDATED UNDER

No. C01-1004R

[This relates to *Stone, et al. v. American
Mortgage Professionals, Inc., et al.* *(C01-
1028R)]

DEFENDANT AMERICAN MORTGAGE
PROFESSIONALS' MOTION FOR
SUMMARY JUDGMENT AGAINST
PLAINTIFFS ON COUNTERCLAIM FOR
STATUTORY ATTORNEYS' FEES

(Clerk's Action Required)

Pursuant to Fed. R. Civ. P. 56, RCW 19.52.032, and other authority cited herein,
Defendant American Mortgage Professionals, Inc. ("AMP") hereby moves the Court for
an order awarding summary judgment against plaintiffs on AMP's counterclaim for
statutory attorneys' fees.

DEFENDANT AMERICAN MORTGAGE PROFESSIONALS
INC.'S MOTION FOR SUMMARY JUDGMENT ON
COUNTERCLAIM FOR STATUTORY ATTORNEYS' FEES -1

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ORIGINAL

I. INTRODUCTION

Plaintiffs filed a lawsuit against AMP and multiple other defendants seeking class action certification. Plaintiffs' claims were based primarily on the Washington State usury statutes contained at RCW 19.52. AMP originated the plaintiffs' loans more than four years prior to the filing of this lawsuit and immediately assigned them to the entity which funded the loans. This Court dismissed the statutory usury claims made by plaintiffs against AMP because AMP was not a "current creditor," the only proper defendant to a statutory usury claim. This Court should find that the plaintiffs' statutory usury claims were frivolously commenced against AMP, and award AMP its attorneys' fees as a result. This Court is authorized to make such an award under RCW 19.52.032.

II. FACTS

On May 25, 2001, plaintiffs filed a Class Action Complaint for Damages and Restitution in King County Superior Court. This action was subsequently removed to United States District Court by some of the defendants. The Class Action Complaint for Damages and Restitution has been amended on multiple occasions. The case at issue in this motion, *Stone et al. v. American Mortgage Professionals, Inc. et al.*, has been consolidated with several other cases, which contain similar allegations of usury.

Plaintiffs alleged that AMP originated the Loans at interest rates exceeding those permitted by the Washington State usury statute, that AMP was not properly licensed to do so under the Washington Consumer Loan Act (contained at RCW 31.04) until after the plaintiffs' loans were originated, and that AMP was therefore liable for statutory usury penalties. These claims were made in spite of the fact that no Plaintiff ever made a loan payment to AMP.¹ The original Complaint contained no allegations of common

¹ Order Granting in Part and Denying in Part AMP's Motion for Summary Judgment (4:7-8).

1 law usury, but the plaintiffs later incorporated this claim following identification of this
 2 cause of action by the Defendants. AMP made a counterclaim against the plaintiffs for
 3 statutory attorneys' fees under RCW 19.52.032.

4 Plaintiffs claims for statutory usury against AMP were dismissed by this Court on
 5 summary judgment. That ruling was unsuccessfully appealed by the plaintiffs to the
 6 Ninth Circuit Court of Appeals and remains intact.

7 III. ARGUMENT AND AUTHORITY

8 **A. Plaintiffs Have Filed A Frivolous Claim Against AMP For Statutory Usury.**

9 The Washington Usury Statutes are contained at RCW 19.52 and provide a
 10 maximum interest rate for certain transactions, and penalties which may apply should
 11 the maximum rate be exceeded. RCW 19.52.032 specifically explains against whom a
 12 statutory usury claim may be maintained and further authorizes an award of attorneys'
 13 fees for a defendant subjected to a frivolous claim:

14 The debtor, if a natural person, or the creditor may bring an
 15 action for declaratory judgment to establish whether a loan
 16 or forbearance contract is or was usurious, and such an
 17 action shall be considered an action on the contract for the
 18 purposes of applying the provisions of RCW 19.52.030.
 19 Such an action shall be brought against the current creditor
 20 or debtor on the contract or, if the loan or debt has been fully
 21 repaid, by the debtor against the creditor to whom the debtor
 22 was last indebted on the contract. No such action shall be
 23 commenced after six months following the date the final
 24 payment becomes due, whether by acceleration or
 otherwise, nor after six months following the date the
 principal is fully paid, whichever first occurs. If the debtor
commences such an action and fails to establish usury, and
if the court finds the action was frivolously commenced, the
defendant or defendants may, in the court's discretion,
recover reasonable attorney's fees from the debtor
 (emphasis added).

22 As stated above, a statutory usury claim may only properly be brought against a
 23 "current creditor." Using plaintiff Paula Scott as an example, she received a first written

24 DEFENDANT AMERICAN MORTGAGE PROFESSIONALS
 INC.'S MOTION FOR SUMMARY JUDGMENT ON
 COUNTERCLAIM FOR STATUTORY ATTORNEYS' FEES -3

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1 notice that their loan would be assigned at the time of application and a second written
 2 notice when the assignment did occur.¹ The assignments of the plaintiffs' deeds of
 3 trusts are also matter of public record. In its Order Granting in Part and Denying in Part
 4 Defendant AMP's Motion for Reconsideration,² this Court remarked:

5 In the present case, AMP is not Scott's current creditor. It
 6 assigned all of its rights to FirstPlus in 1997. Consequently,
 7 given that the language of the statute is clear and
 unambiguous, Scott's statutory usury claim against AMP
 must fail and is dismissed.

8 The statutory usury claims made by plaintiffs in this lawsuit should never have been
 9 brought against AMP.

10 Plaintiffs never alleged that AMP was a "current creditor," but rather sought to
 11 contort RCW 19.52.032 beyond its plain meaning. Plaintiffs consistently relied on the
 12 case of *Durias v Boswell*, 58 Wn. App. 100, 791 P.2d 282 (1990), for the proposition
 13 that under RCW 19.52.032 a loan originator is jointly and severally liable with a "current
 14 creditor" under Washington law. *Durias* says exactly the opposite of what plaintiffs have
 15 represented. It holds that an assignee may be liable for the acts of an originator, not
 16 that an originator may be liable for the acts of an assignee. While discussing *Durias* in
 17 its Order Granting in Part and Denying in Part Defendant AMP's Motion for
 18 Reconsideration,³ this Court agreed with AMP that the case was "inapposite." That
 finding remains undisturbed following the plaintiffs' appeal.

19 **B. AMP's Claim for Attorneys Fees Under RCW 19.52.032 Should be Granted.**

20 If a debtor commences an action, fails to establish usury, and if the court finds
 21 the action was frivolously commenced, the defendant may, in the court's discretion,

22 _____
 23 ¹ See Exhibits 4 and 11 to the Declaration of Ken Terrill in Support of AMP's Motion for Reconsideration.

24 ² Order Granting in Part and Denying in Part Defendant AMP's Motion for Reconsideration (3:4-8).

³ Order Granting in Part and Denying in Part Defendant AMP's Motion for Reconsideration (3:16-22).

1 recover reasonable attorney's fees from the debtor under RCW 19.52.032. AMP
 2 believes that the plaintiffs' commencement of statutory usury claims against AMP merits
 3 such an award. The plaintiffs were aware of the assignment of their loans years before
 4 they filed their Complaint. In fact, they were informed that this would occur shortly after
 5 the onset of their dealings with AMP. Not only have the plaintiffs blatantly disregarded
 6 the enumerated procedure for pursuit of a statutory usury claim, they have aggressively
 7 sought to support their actions with gross misstatements of law. Attorneys' fees should
 8 be awarded to AMP upon the submittal of further evidence of the actual fees it has
 9 incurred.

10 CONCLUSION

11 AMP was involved in lending transactions with the plaintiffs which occurred more
 12 than four years prior to the filing of this lawsuit. AMP immediately assigned the loans at
 13 issue, notified the plaintiffs of this fact, and had no further involvement with them.
 14 Regardless, the plaintiffs proceeded to file statutory usury claims against AMP as their
 15 "current creditor." Those claims were dismissed by this Court, and the dismissal was
 16 unsuccessfully appealed by the plaintiffs. Under RCW 19.52.032, AMP should be
 17 awarded attorneys' fees stemming from this frivolous claim made by the plaintiffs. A
 18 separate motion to approve AMP's fees will be submitted upon entry of an order
 19 granting this motion.

20 Respectfully submitted, this _____ day of February, 2005.

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22 By By: s/James B. Hoff
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 INC.'S MOTION FOR SUMMARY JUDGMENT ON
 COUNTERCLAIM FOR STATUTORY ATTORNEYS' FEES -5

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CERTIFICATE OF SERVICE

I hereby certify that on February 14, 2005, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the following:

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DEFENDANT AMERICAN MORTGAGE PROFESSIONALS
INC.'S MOTION FOR SUMMARY JUDGMENT ON
COUNTERCLAIM FOR STATUTORY ATTORNEYS' FEES -6

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15 DATED this 14th day of February, 2005.

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24 DEFENDANT AMERICAN MORTGAGE PROFESSIONALS
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